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Social Security for Farm People
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U. S. DEPARTMENT OF AGRICULTURE



QUESTIONS and ANSWERS

U. S. DEPARTMENT OF AGRICULTURE

Prepared in cooperation with
THE SOCIAL SECURITY BOARD
FEDERAL SECURITY AGENCY

SOCIAL SECURITY FOR FARM PEOPLE

A work group of the United States Department of Agriculture's Interbureau Committee on Postwar Programs and the Social Security Board has for several years been studying the problems and issues involved in the extension of social security benefits to farm people. They have discussed these issues and problems with many farm people and in considerable detail with the leaders of farm organizations.

This pamphlet was prepared at the suggestion of the leaders of farm organizations. The attempt has been to list questions raised by farm people and to give as complete answers as possible in so brief a space. In some instances the answers cannot be definite because they involve legislative proposals.

SOCIAL SECURITY FOR FARM PEOPLE

The Present Social Security Program

1. What does our present social security program include?

There are really three programs:

a. *Old-age and survivors' insurance* is a Federal program. Monthly benefits under this program go to retired insured workers and their wives who are over the age of 65 and to survivors of insured workers who die.

b. *Unemployment compensation* is provided by a Federal-State system. Details of the State laws vary, but in general the unemployed insured worker receives weekly unemployment benefits amounting to about half his average weekly wages, provided he is willing and able to work and is not unemployed through his own fault. In most States the top limit on benefits is \$15 to \$18 per week, and benefits are paid for not more than 16 to 20 weeks out of a year.

c. *Public assistance* is given to the needy aged, the needy blind, and to dependent children through Federal-State programs. Conditions for receiving aid and the amount of payment vary considerably from State to State. In general, payment is not made to persons who have property, savings, or income above minimum amounts, nor, in many States to persons who have relatives able to support them.

2. How is the present social security program paid for?

a. *Old-age and survivors' insurance* benefits are paid out of a Federal Trust Fund to which all industrial and commercial employees now contribute 1 percent of their wages up to \$3,000. Their employers contribute a like amount.

b. *Public assistance* is paid jointly by the State and by the Federal Government. The share of the State is paid out of general State and local revenues in most States. In some States there are special taxes to finance public assistance. The Federal Government, out of general revenues, pays half the cost of public assistance, up to a certain top amount per case, and pays part of the cost of operating the State programs:

c. *Unemployment compensation* is paid, in all but a few States, out of the contributions of employers. Costs of administering the program are paid by the Federal Government, which collects a tax from employers that covers these costs. While the pay-roll contribution is nominally 3 percent, in most States the contributions have been reduced so that the average throughout the country is now about 2 percent of wages. Workers in small establishments are covered under many but not all State unemployment compensation laws.

3. What parts of the present social security program might be extended to farm people?

a. *Old-age and survivors' insurance* could be extended to farm operators and to hired workers on farms. Some changes in the program would be necessary to meet the special conditions in farming.

b. *Public assistance* is already provided for needy farmers and farm workers under the same conditions as for other needy people.

c. *Unemployment compensation* might be extended to hired men on at least large industrial farms. This program would not be applicable to farm operators.

What Would Farm People Pay for Coverage Under the Old-Age and Survivors' Insurance Program?

4. What would farmers have to pay for their

own insurance protection if they came under the present old-age and survivors' insurance program?

Their contributions probably would be based on a simple percentage of their net income from farming. At present, employers and workers covered by the program each contribute at rates amounting to 1 percent of wages. Congress would have to decide on the actual rate for farmers, but suggested rates range from only the rate paid by workers to the combined rate paid by workers and their employers.

5. What would farmers have to pay for the insurance protection of their hired workers if the workers were brought under the present old-age and survivors' insurance program?

The hired workers themselves would pay half the total contributions on their own wages. The farmers who hired them would pay the other half. A farmer's payment for his hired workers would depend on the amount of the wages he paid them. Room, board, and other "wages-in-kind" furnished to hired workers would be counted the same as cash wages. Farmers would pay on the wages paid their workers at the same rate as other employers.

6. How much would a farmer pay, for example, for insurance protection for himself and for his hired man, if his own net income is \$2,400 per year, and he pays his hired man \$80 a month?

On his own net income the farmer would pay \$48 a year, for his own protection, if the rate should be equal to the employer and employee contributions under the present law. In addition, at present rates, he would pay 1 cent per month for each dollar paid to the hired man. The hired man himself would also pay at the same rate. If his wages, including the value of his room and board, amounted to

\$80 a month, he and his employer would each contribute 80 cents a month.

7. Would a farmer have to pay a contribution on his total net income, no matter how large?

No. Contributions are not payable on earnings above \$3,000 a year under the present law, and the earnings above \$3,000 are not credited to the person's social security account. There is a proposal to raise this figure to \$3,600, however.

8. What would be the total cost of the present old-age and survivors' insurance program?

With present benefit rates the long-run cost would average about 5 to 6 percent of the pay roll. If average earnings in covered employment increased materially, the long-run cost would be somewhat lower.

9. How would the money be raised to meet these costs?

One method would be to increase the payroll tax on employers and employees to the necessary rate. Another way would be to have the costs shared with the Federal Government, the funds being raised through general taxation.

What Benefits Would Farm People Receive if They Were Covered by the Present Old-Age and Survivors' Program?

10. What kinds of protection would farm people be eligible for under present old-age and survivors' insurance?

Farmers and farm laborers would get the same types of benefits as workers who are now covered. On retirement at age 65 or later, they would be eligible for monthly retirement benefits for themselves and their wives, and for

any children under 18 years of age. If they should die, at any age, their widows and surviving children under the age of 18 would be eligible for monthly benefits.

If the insured person is a single man and is supporting his aged parents at the time of his death, they would be eligible for monthly benefits. The benefit to each parent would be at the same rate as a wife's benefit.

In the case of a farmer or a farm laborer who died without leaving a survivor who is eligible to monthly benefits, a single, or lump-sum, benefit would be paid to his nearest living relative, or to whoever paid his funeral expenses.

11. How much would the monthly retirement benefit be?

That would depend on the amount of a person's average earnings and the number of years he was under the program before retiring. In other words, each person builds up his own retirement rights. If a farmer was 45 years old when he came under the program, and earned an average of \$2,400 a year for 20 years, and then retired at age 65, he would receive \$42 per month for himself. His wife, if 65 years old, would receive an additional \$21. The total would then be \$63 per month for man and wife.¹

12. How much would his family receive in case of his death?

Suppose he was 45 at the time farmers came under the program and that he averaged \$2,400 a year for 5 years and died at the age of 50, leaving a wife and two children under 18 years of age. Under the present program each unmarried child under the age of 18 would receive \$18.38 a month, and his wife would receive \$27.56, making a total of \$64.32 a month.

¹ Table 1 (p. 15) shows other examples of benefits under the present law. Various proposals have been made in Congress to increase these amounts.

13. If the children were over 18 when the father died, what benefits would the farmer's widow receive?

Suppose he was 45 at the time farmers came under the program and that he averaged \$2,400 a year for 5 years and died at the age of 50. His widow would draw a lump-sum benefit of \$220.50 at his death, but she would get no monthly benefits as a widow until she reached age 65, under the present law. At that time she would begin drawing \$27.56 each month.

14. How much would a hired man's retirement or survivors' benefits be?

Retirement benefits for hired men, and benefits for survivors of hired men who die, would be figured in the same way as for farmers and others covered by the program. If a hired man retired at 65, after 35 years under the program, having had an average wage of \$60 per month, he would receive \$28.35 per month as long as he lived. His wife, if 65, would receive an additional benefit of \$14.18 a month. The total for husband and wife would be \$42.53.

15. What is the lowest amount of retirement benefits one may receive under old-age and survivors' insurance?

At present, a retirement benefit of \$10 is paid to eligible workers in cases where the regular method of figuring would give a smaller amount. Benefits to wives or survivors are figured on the basis of a \$10 minimum retirement benefit in such cases.

How Would Farm People Become Eligible for Benefits Under the Old-Age and Survivors' Insurance Program?

16. If the old-age and survivors' insurance program is extended to include farm people, would every farmer be immediately protected?

Unless farm people had previously worked in jobs under old-age and survivor's insurance, they would have to contribute for some minimum period (perhaps a year and a half), before they or their survivors could receive insurance benefits. After that, as long as they contributed roughly half the time after coverage was extended, they would have insurance protection. Once a person has been under the program for a total of 10 years, he will have insurance protection for the rest of his life, even though he makes no further contributions.

17. If farmers and hired men were included in the social-insurance program, how would it affect them if they have already worked some time in occupations already covered by old-age and survivors' insurance?

Any insurance rights they have earned in other occupations would remain to their credit, and additional rights earned in agriculture would be added to their credit. Thus, rights could be built up more easily because work on their own farms as well as work in industrial jobs would be covered.

18. Will coverage of farm people benefit them if they have been engaged in wartime industrial jobs?

Yes. A large number of farm people are returning to the farm with several years of covered wartime employment behind them. They can preserve and add to earned benefit rights if farmers are included in the program. Unless coverage is extended to their farm occupations, the insurance rights they have earned in war jobs will grow smaller and will eventually disappear.

19. Would earnings from wage work performed by a farm operator on another person's farm be counted in determining his old-

age and survivors' insurance benefit rights?

Yes. Farm wage work would be no different from other kinds of covered work for wages and would be added to his credits earned as a self-employed farmer.

20. Will a farmer get his benefits even if he continues to operate his farm and get a regular income from farming?

At present, benefits are suspended for any month in which the beneficiary earns \$15 or more on a job covered by old-age and survivors' insurance. Proposals have been made to raise this amount to \$25 or \$30 per month. Congress would probably recognize, however, that it is difficult to measure a farmer's income exactly and that most farmers could not measure it by the month. Some other method would probably be used to decide whether a farmer was actually "retired" or not.

21. Will a retired farmer who produces things for home use have his benefits suspended or reduced?

One proposal is that farmers be permitted to produce as much for home use as they wish, without reducing the amount of their benefits or causing them to be suspended.

22. If a farmer retires but has an income from investments, rents, or other resources, will that affect his retirement benefits?

No. Possession of property or any form of income other than covered wages or income from self-employment would not affect his right to insurance payments.

What Reports and Records Would Be Required of Farmers?

23. What records would farmers need to keep in order to report their income for social security purposes?

They probably would not need to keep any records beyond those they already keep for income tax purposes. Farmers who file income tax returns could use the same records for social security purposes. Those who do not have incomes large enough to require income tax reports would need no records, under some proposals, because they would pay a flat contribution, which would entitle them to a flat income credit for the year.

24. What about the farmer who in some years is able to pay contributions into the fund and other years is not?

If his income in any one year is so low that he could not pay a contribution, he would be exempt for that year, but of course this would reduce the amount of his future benefits.

25. What about farmers who never have enough income to make even a minimum contribution?

They probably would not get old-age and survivors' insurance benefits unless they have made contributions under the system. However, if they are in need, they may receive payments under the Federal-State Public Assistance programs.

26. How would a farmer who had hired hands pay his share of the contribution to cover their protection?

One method which has been considered would not require any reporting or record keeping, but farmers might buy wage stamps at any post office or from their rural mail carrier. Workers would be provided with stamp books. When paying his help, the farmer could place wage stamps in each worker's book to show the amount of his wages. Half the cost of the stamps would be deducted from the worker's wages to represent his contribution as an employee. On the other hand, it might be feasible

for farmers, particularly those who hire²⁷⁷ a large number of workers, to send in quarterly payroll reports, just as industrial employers do now.

27. In figuring the wages of hired hands, would the farmer have to include the value of room and board?

Yes, and to help him set a value on such items, a schedule would probably be provided, showing the allowable value of room, board, and other common forms of "wages in kind."

Proposals for a Broadened Social Insurance Program

28. What proposals are being made for improving and broadening the social insurance program?

Among the most important of current proposals are:

a. That old-age and survivors' insurance include farmers, farm wage workers, household employees, nonfarm self-employed persons, and other groups not now covered.

b. That old-age and survivors' benefits be increased, with the minimum retirement benefit raised to \$20, and that the age at which women could receive benefits as aged wives or widows of insured workers be lowered from 65 to 60.

c. That permanent disability be added to the risks covered by the old-age and survivors' insurance program.

d. That insurance against the cost of medical and hospital care be provided for all persons covered by old-age and survivors' insurance and for their dependents.

e. That insurance against temporary disability be provided for wage workers.

f. That unemployment compensation be extended to cover hired workers on at least large industrial farms. They would also get temporary disability benefits if the program were extended to cover this risk.

What Would Proposals for Broadened Social Insurance Mean to Farm People?

29. How would the proposed new benefits for permanent disability affect farm people?

If the farmer or his hired hand became permanently disabled, because of accident or sickness no matter where it occurred, benefits would be paid him out of the old-age and survivors' insurance fund. These benefits would be figured in the same way as those paid to persons who had reached 65 years of age and retired. These benefits would give the farmer and his hired hand some of the same types of protection that have been enjoyed by industrial workers under State workmen's compensation laws. In addition, such protection could extend to sickness or disability not connected with their work.

30. How much would the long run cost of the program be increased by the addition of permanent and total disability protection?

It would probably average about 1 percent of pay roll.

31. What would farm people get under the health insurance proposals?

They would receive medical care from their regular family doctor. In addition, they would get laboratory services and the care of specialists, dentists, and home nurses when they had need for them. These services would be paid for out of the insurance fund.

32. What hospitalization services would they receive?

They would receive hospital service, probably limited to 60 days each year for each member of the insured family, and the hospital and attendant doctor would be paid out of the insurance fund instead of by the family.

33. Would all doctors and hospitals be required to take part in this plan?

No. It is expected that doctors and hospitals would offer services under this plan only if they chose to do so. Families would be free to choose among the doctors and hospitals that are taking part in the program, and doctors would have the right to accept or reject individual patients.

34. How much would medical care and permanent disability insurance cost a self-employed farmer in addition to old-age and survivors' insurance?

Medical care would cost about 3 percent of his income and permanent disability insurance about 1 percent.

35. Would the hired man receive the same protection as the self-employed farmer under this expanded program and what would it cost him?

The hired man would have the same kinds of protection as the self-employed farmer. The cost of his protection could be equally divided between him and his employer. In addition, farm workers might get unemployment compensation and temporary disability benefits. For these additional benefits the farm worker and his employer would contribute additionally, probably 1½ percent each.

Do Farmers Need Social Security?

36. Doesn't farming as a way of life already provide security?

Not completely. Farmers face all the hazards which other people face—old age, accident, disability, sickness, and death. Well over half of the American farm operators have such low incomes that they are relatively insecure against these risks. Even the farmer with a relatively high income is subject to the same risks.

37. Is social insurance intended to take the place of private life insurance?

No. Social insurance is intended only to provide minimum basic protection. To this, anyone could add by buying private life insurance.

38. The present method of figuring old-age and survivors' insurance benefits favors low-income farm people, those already old, and those with large families. Does this mean that the young, high-income farmer would not get his money's worth?

Even a young farmer with a high income would get all the benefits he pays for. The difference in favor of the groups mentioned would come out of the employer contribution and possibly from Federal funds.

39. Does social insurance offer greater or less advantages to farm people than to city people?

By and large, it offers greater advantages to farmers, because (a) farm families average larger than city families and therefore would have greater survivor protection at no greater cost, (b) farmers generally have relatively low incomes and the benefit formula is arranged to favor the lower income people (see table 1, on last page), and (c) the farm population has more than its share of the old people who will receive retirement benefits.

40. Would farmers gain anything by making social insurance contributions on behalf of their hired workers?

Competent workers are likely to be attracted to those occupations which give them the most security, other things being equal. Farmers cannot pay their help at industrial wage rates, but they can make farm work more attractive to competent men by offering the same security as industrial employers.

41. Can farmers afford to pay for social insurance in addition to all their other expenses?

The costs of the program are mostly not new costs. Farmers now pay taxes to support public assistance, poorhouses, and local relief, which are supported by local property taxes. As the social insurance program begins to take care of more and more aged persons, widows, and orphans, the cost of caring for them in other ways will be proportionately smaller. As a group, farm people are now paying about as much for medical and hospital care as they would under a comprehensive social insurance program. Under such an insurance program, however, care would be given to those who needed it, regardless of income. Medical services and facilities would be more equally distributed, and there would be fewer rural areas with medical service which is either substandard or entirely lacking.

TABLE 1. *Old-age and Survivors' Insurance*

[Illustrative monthly benefit rates under the present law, with different average monthly wages and years of coverage]

RETIRED INSURED PERSONS ONLY

Average monthly wage (dollars)	Length of coverage ¹					
	5 years	10 years	20 years	30 years	40 years	50 years
25-----	\$10.50	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00
50-----	21.00	22.00	24.00	26.00	28.00	30.00
75-----	23.63	24.75	27.00	29.25	31.50	33.75
100-----	26.25	27.50	30.00	32.50	35.00	37.50
150-----	31.50	33.00	36.00	39.00	42.00	45.00
200-----	36.75	38.50	42.00	45.50	49.00	52.50
250 ² -----	42.00	44.00	48.00	52.00	56.00	60.00

RETIRED INSURED PERSON AND WIFE

25-----	\$15.75	\$16.50	\$18.00	\$19.50	³ \$20.00	³ \$20.00
50-----	31.50	33.00	36.00	39.00	³ 40.00	³ 40.00
75-----	35.45	37.13	40.50	43.88	47.25	50.63
100-----	39.38	41.25	45.00	48.75	52.50	56.25
150-----	47.25	49.50	54.00	58.50	63.00	67.50
200-----	55.13	57.75	63.00	68.25	73.50	78.75
250 ² -----	63.00	66.00	72.00	78.00	84.00	⁴ 85.00

¹ A year of coverage is any year in which a person is paid \$200 or more in wages in employment covered by the present law.

² Wages in excess of \$250 per month are not credited under the present law.

³ Reduced to 80 percent of the average monthly wage, one of the limits on benefits in the present law.

⁴ Reduced to \$85, another limit on benefits in the present law.